

# Financial Report

**SOUTHERN CALIFORNIA PUBLIC RADIO**

(An Affiliated Organization of American Public Media Group)

**JUNE 30, 2019**

**SOUTHERN CALIFORNIA PUBLIC RADIO  
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southern California Public Radio  
Pasadena, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southern California Public Radio (the Organization), which comprise of the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern California Public Radio as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements and related supplemental information from which it has been derived.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional Operating Fund, Property Fund and Designated Fund information presented in the statement of activities for 2019 and the supplemental information on page 22 are presented for the purpose of additional analysis of the financial statements, rather than to present the results of operations of the individual funds, and are not a required part of the financial statements. Such additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 1, 2019

**SOUTHERN CALIFORNIA PUBLIC RADIO**  
**(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)**  
**(IN THOUSANDS)**

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash	\$ 4,672	\$ 2,694
Program Receivables, Net (Note 4)	1,921	1,936
Pledges Receivable, Capital Campaign, Net (Note 4)	1,106	2,262
Grants Receivable, Net (Note 4)	104	533
Interest in Investment Pool (Note 3 and 5)	290	842
Prepaid Expenses	56	58
Inventory	59	73
Other Current Assets	60	102
Total Current Assets	8,268	8,500
<b>PROPERTY AND EQUIPMENT, NET (NOTE 6)</b>	17,955	18,432
<b>OTHER ASSETS</b>		
Pledges Receivable, Capital Campaign, Net (Note 4)	451	455
Grants Receivable, Net (Note 4)	22	48
Interest in Investment Pool (Note 3 and 5)	2,402	2,358
Endowment Funds Held by Others (Note 3)	1,307	1,244
Broadcast Licenses	1,864	1,864
Other Long-Term Assets	47	41
Total Other Assets	6,093	6,010
Total Assets	\$ 32,316	\$ 32,942
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payables	\$ 199	\$ 340
Current Portion of Obligations to APMG (Note 7)	-	80
Current Portion of Long-Term Debt (Note 8)	405	395
Accrued Liabilities	2,794	2,568
Deferred Revenue	357	413
Refundable Advance	46	-
Total Current Liabilities	3,801	3,796
<b>OTHER LIABILITIES</b>		
Long-Term Debt (Note 8)	2,588	2,984
Total Liabilities	6,389	6,780
<b>COMMITMENTS AND CONTINGENCIES (NOTE 10)</b>		
<b>NET ASSETS</b>		
Without Donor Restrictions	17,238	17,775
With Donor Restrictions	8,689	8,387
Total Net Assets	25,927	26,162
Total Liabilities and Net Assets	\$ 32,316	\$ 32,942

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA PUBLIC RADIO**  
**(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**  
**(IN THOUSANDS)**

	2019							
	Without Donor Restrictions					With Donor Restrictions	Total	2018 Total
	Operating Fund	Property Fund	Designated Fund	Eliminations	Total			
<b>SUPPORT FROM PUBLIC</b>								
Individual Gifts and Membership	\$ 14,405	\$ -	\$ 16	\$ -	\$ 14,421	\$ 1,320	\$ 15,741	\$ 12,637
Individual Gifts and Membership - Released from Restriction (RFR)	1,556	-	-	-	1,556	(1,556)	-	-
Underwriting	10,427	-	-	-	10,427	-	10,427	9,562
Business General Support	193	-	-	-	193	138	331	245
Business General Support - RFR	153	-	-	-	153	(153)	-	-
Foundations	-	-	-	-	-	327	327	955
Foundations - RFR	668	80	-	-	748	(748)	-	-
Intercompany Grants	166	278	500	(778)	166	-	166	179
Campaign Support	-	-	-	-	-	3,212	3,212	3,609
Campaign Support - RFR	1,888	120	-	-	2,008	(2,008)	-	-
Other Public Support	-	-	-	-	-	66	66	26
Other Public Support - RFR	68	-	-	-	68	(68)	-	-
Total Support from Public	29,524	478	516	(778)	29,740	530	30,270	27,213
<b>SUPPORT FROM GOVERNMENTAL AGENCIES</b>								
Corporation for Public Broadcasting (CPB)	-	-	-	-	-	1,747	1,747	1,956
CPB - RFR	1,994	-	-	-	1,994	(1,994)	-	-
Total Support from Governmental Agencies	1,994	-	-	-	1,994	(247)	1,747	1,956
<b>EARNED REVENUE</b>								
Earned Operating Activities	76	-	-	-	76	-	76	187
Investment Return	-	77	49	-	125	19	144	85
Other Earned Revenue	104	-	-	-	105	-	105	102
Total Earned Revenue	180	77	49	-	306	19	325	374
Total Support and Earned Revenue	31,698	555	565	(778)	32,040	302	32,342	29,543
<b>EXPENSES AND LOSSES</b>								
Operations	20,736	615	-	(278)	21,073	-	21,073	19,644
Administrative	3,703	52	-	(500)	3,255	-	3,255	4,187
Fundraising	7,244	239	766	-	8,249	-	8,249	7,916
Total Expenses	31,683	906	766	(778)	32,577	-	32,577	31,747
<b>CHANGE IN NET ASSETS</b>	15	(351)	(201)	-	(537)	302	(235)	(2,204)
Net Assets - Beginning of Year	(4,589)	20,418	1,947	-	17,775	8,387	26,162	28,366
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (4,574)</u>	<u>\$ 20,067</u>	<u>\$ 1,746</u>	<u>\$ -</u>	<u>\$ 17,238</u>	<u>\$ 8,689</u>	<u>\$ 25,927</u>	<u>\$ 26,162</u>

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA PUBLIC RADIO**  
**(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**  
**(IN THOUSANDS)**

	2019				2018
	Operations	Administrative	Fundraising	Total	Total
<b>EXPENSES:</b>					
Salaries and Wages	\$ 10,501	\$ 1,583	\$ 3,441	\$ 15,525	\$ 15,132
Employee Benefits and Payroll Taxes	2,347	295	622	3,264	2,866
Professional Fees and Marketing	1,921	886	3,245	6,052	5,974
Production and Acquisition	4,050	-	-	4,050	4,163
Office and Occupancy	1,280	199	260	1,739	1,963
Travel and Training	177	60	65	302	190
Interest	77	8	17	102	109
Depreciation and Amortization	600	53	122	775	770
Financial	-	25	430	455	413
Other Expenses	120	146	47	313	167
Total	<u>\$ 21,073</u>	<u>\$ 3,255</u>	<u>\$ 8,249</u>	<u>\$ 32,577</u>	<u>\$ 31,747</u>

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA PUBLIC RADIO**  
**(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**  
**(IN THOUSANDS)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets (Deficit)	\$ (235)	\$ (2,204)
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities:		
Depreciation and amortization	775	771
Contributions and Grants Restricted for Capital Projects and Perpetual Endowment	7	(87)
Change in Value of Endowment Funds Held by Others	(63)	(56)
(Increase) Decrease in:		
Program Receivables, Net	1,164	3,354
Grants Receivable, Net	455	(61)
Prepaid Expenses, Inventory and Other Assets	52	(24)
Increase (Decrease) in:		
Accounts Payables and Accrued Liabilities	85	1,388
Deferred Revenue	(56)	130
Refundable Advance	46	(17)
Total Adjustments	2,465	5,398
Net Cash Provided by Operating Activities	2,230	3,194
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(289)	(2,223)
Purchase of Investments	-	100
Change in Interest in Investment Pool, Net	508	(915)
Additions to Endowment Funds Held by Others	-	(500)
Net Cash Provided (Used) by Investing Activities	219	(3,538)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of Contributions and Grants Restricted for Capital Projects and Perpetual Endowment	4	1,903
Payment on Obligations to APMG	(80)	(80)
Principal Payments on Long-Term Obligations	(395)	(385)
Net Cash Provided (Used) by Financing Activities	(471)	1,438
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,978	1,094
Cash and Cash Equivalents - Beginning of Year	2,694	1,600
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,672	\$ 2,694
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 106	\$ 106

See accompanying Notes to Financial Statements.



**SOUTHERN CALIFORNIA PUBLIC RADIO  
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 NATURE OF BUSINESS AND ORGANIZATION**

**Organization and Description of Business**

Southern California Public Radio (the Organization or SCPR) is a nonprofit corporation located in Pasadena, California. SCPR's mission is to strengthen the civic and cultural bonds that unite Southern California's diverse communities by providing the highest-quality news and information service through radio and interactive media resources.

American Public Media Group (APMG) is the nonprofit parent support organization of SCPR, Minnesota Public Radio (MPR) and other affiliates (together, the APM Group). APMG's primary purpose is to provide financial and management support services to SCPR, MPR, and other affiliates. APMG has the ability to elect, or to approve the election of, the SCPR Board of Trustees and a majority of the MPR Board of Trustees.

SCPR is party to a Public Service Operating Agreement (the PACCD Agreement) with Pasadena Area Community College District (PACCD) for the operation of public radio station KPCC (89.3 FM), whose city of license is Pasadena, California. KPCC provides a radio broadcast signal to a significant portion of Southern California, including Los Angeles and Orange County. Pursuant to the PACCD Agreement, SCPR assumed responsibility for the operation of KPCC, while PACCD remained the licensee of the station. The PACCD Agreement is effective through December 31, 2025, and automatically extends for successive periods of five years each thereafter, unless either party gives written notice at least 12 months prior to the end of the then-current term or extension.

SCPR is party to a Public Service Operating Agreement (the UR Agreement) with the University of Redlands (UR) for the operation of public radio station KUOR (89.1 FM), whose city of license is Redlands, California. KUOR provides a radio broadcast signal to a significant portion of Southern California's Inland Empire. Effective April 21, 2007, SCPR assumed responsibility for the programming, operation and financial activities of KUOR, while UR remained the licensee of the station. The UR Agreement terminates on April 21, 2027.

SCPR is the licensee of the noncommercial station KVLA (90.3 FM), serving the Coachella Valley including Palm Springs, California, and the noncommercial station KJAI-FM (89.5 FM) serving Ojai, California.

SCPR operates the websites [scpr.org](http://scpr.org) and [LAist.com](http://LAist.com). The [scpr.org](http://scpr.org) website provides a live stream of its radio programming; archived audio programming; and other public media content including text, pictures, video, and other digital services. [LAist.com](http://LAist.com) is devoted to Los Angeles, covering the news, politics, education, and much more about life in and around LA.

**SOUTHERN CALIFORNIA PUBLIC RADIO  
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Financial Statement Presentation**

Net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions

This classification contains net assets that are not subject to donor-imposed restrictions and are available for general support of the Organization.

The Organization maintains the following funds without donor restrictions:

Operating Fund: The Operating Fund is maintained to account for general-purpose contributions, grants, and other revenues and to account for expenses associated with the operations of the Organization.

Property Fund: The Property Fund is maintained to acquire and account for all property and equipment owned by the Organization.

Designated Fund: The Designated Fund is maintained to account for funds intended to ensure the long-term financial health of the Organization. The SCPR Designated Fund also receives grants and bequests related to planned giving efforts and receives gifts from sources designated from time to time by the SCPR Board of Trustees. Financial assets in the Designated Fund are available to the Operating Fund to provide for temporary cash flow needs.

With Donor Restrictions

This classification includes net assets subject to donor-imposed restrictions. Donor restricted net assets are subject to purpose or time restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as support released from restriction (e.g., Individual Gifts and Membership-Released from Restriction (RFR)). For example, when a donor specifies their contribution is to support the Organization for a three-year period, the Organization recognizes all the future support as a net asset with donor restriction in the year the contribution is first made; SCPR then releases (reclassifies from net assets with donor restrictions) the contribution as without donor restriction support over each of the three years specified by the donor.

Certain net assets with donor restrictions stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend distributions therefrom for operating purposes. Funds to be maintained in perpetuity as of June 30, 2019, represent certain endowment funds held by the California Community Foundation. The Organization maintains variance power over the endowment.

**SOUTHERN CALIFORNIA PUBLIC RADIO  
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Financial Statement Presentation (Continued)**

With Donor Restrictions (Continued)

Net assets with donor restrictions at June 30, 2019 were subject to the following purpose or time restrictions:

Time Restricted	\$ 406,000
Purpose Restricted	8,058,000
Funds Held for Perpetuity	225,000
Total Net Assets With Donor Restrictions	<u>\$ 8,689,000</u>

**Basis of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting.

**Summarized Financial Information for the Year Ended June 30, 2018**

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived. Financial statements from the prior year are available on the Organization's website, [scpr.org](http://scpr.org).

**Revenue Recognition**

Support from Public and Governmental Agencies

The Organization receives unconditional promises and gifts of cash and other assets (support) from the public, including individuals, members, businesses, foundations and others; and from governmental agencies (donors). Support is reported at fair value on the date it is received. To the extent support includes a donor-imposed restriction, the support is reported as net assets with donor restrictions, as described earlier in Note 2. When the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as support released from restriction (e.g., Individual Gifts and Membership-Released from Restriction (RFR)). Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization receives conditional support from the underwriters of its programming (underwriting), who are thanked with messages within SCPR's programming (spots). Underwriting is recognized as net assets without donor restrictions as the spots are run. The Organization also receives non-cash support including goods and services from its underwriters – such barter expense is recorded when the goods or services are used or received. During the year ended June 30, 2019, barter support of \$1,594,000 and barter expenses of \$1,665,000 are reflected in the statement of activities. To the extent cash or barter assets (support) is received before the spots are run, the support is reported as deferred revenue in the statement of financial position.

**SOUTHERN CALIFORNIA PUBLIC RADIO  
(AN AFFILIATED ORGANIZATION OF AMERICAN PUBLIC MEDIA GROUP)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Earned Operating Activities

The Organization recognizes revenue from ticket sales, which are generated from live events. Revenue is recognized at the point in time when the live event occurs and the performance obligation is met.

Investment Return

Interest and dividend income is recorded when earned. Realized gains and losses are recorded when the investments are sold. Unrealized gains and losses represent the change in fair value between reporting periods.

**Treasury Management and Liquidity**

The Organization is a member of a centralized treasury management system with its parent, APMG, in order to maximize economies of scale and investment returns on its treasury assets. At the end of each business day, the net cash activity recorded by the Organization's financial institution is transferred to APMG, and a reciprocal amount is recorded by the Organization as due to/from parent. The Organization also maintains funds in APMG's interest in investment pool (also see Note 5). Portions of the interest in investment pool are used to meet the Organization's cyclical demands for working capital.

To the extent current cash and investments are less than the amount of assets with donor-imposed restrictions and management/board designated funds not authorized for cash flow use, the Organization has access to a line of credit through APMG of up to \$1,600,000, additional information about the line of credit is in Note 7. In addition, the Organization has \$1,082,000 of funds with purposes designated by the SCPR Board of Trustees, which are not currently authorized for cash flow use; however, if the need arose the Board may designate such funds for other purposes as it sees fit including temporary or permanent cash flow use.

**SOUTHERN CALIFORNIA PUBLIC RADIO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Treasury Management and Liquidity (Continued)**

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash	\$ 4,672,000
Program Receivables, Net	1,921,000
Pledges Receivable, Capital Campaign, Net	1,557,000
Grants Receivable, Net	126,000
Interest in Investment Pool	2,692,000
Endowment Funds Held by Others	1,307,000
Total Financial Assets	<u>12,275,000</u>

Less those unavailable for general expenditures within one year, due to:

Receivables to be Collected Beyond One Year	(473,000)
Restricted by Donor to Time or Purpose	(902,000)
Funds Held by Others Restricted by Donor in Perpetuity	(225,000)
Funds Held by Others with Board Designations	<u>(1,082,000)</u>
Total	(2,682,000)

Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 9,593,000</u>
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**Property and Equipment**

Property and equipment with a cost basis of \$5,000 or greater are recorded at cost, and depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Building	32 Years
Equipment	3 to 37 Years

Leasehold improvements are amortized over the shorter of the lease term or useful life.

**Inventory**

Inventories are stated at the lower of cost or market and are tested at least annually for slow-moving and obsolete items.

**Investments, Including Interest in Investment Pool**

Investments are carried at fair value. As defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

**SOUTHERN CALIFORNIA PUBLIC RADIO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Endowment Funds Held by Others**

The Organization has endowment funds at the California Community Foundation (the Endowment), which include contributions subject to donor-imposed restrictions that stipulate the resources be maintained in perpetuity and memorial gifts and bequests, without donor restrictions, that have been designated to the Endowment by action of the SCPR Board of Trustees (Board-designed). The Organization may draw on its funds without donor restrictions. Any such distributions are reported within the investment return, net, in the statement of activities. The Endowment is stated at fair value.

**Impairment Analysis of Broadcast Licenses Not Subject to Amortization**

Broadcast licenses are considered indefinite-lived intangibles and are recorded at cost and tested annually on June 30 for impairment, or more frequently if an event occurs or circumstances change that would indicate an impairment in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*.

The unit of accounting used to test broadcast licenses includes all licenses owned and operated within an individual market, as such licenses are used together, are complementary to each other, and are representative of the best use of those assets.

The Organization tests broadcast licenses for impairment by first assessing qualitative factors to determine the existence of events and circumstances that may indicate it is more likely than not that the indefinite-lived intangible assets could be impaired. If, after assessing the totality of events and circumstances, the Organization concludes that it is not more likely than not that the indefinite-lived intangible assets are impaired, then no further action is taken. However, if the Organization concludes otherwise, then it determines the fair value of the indefinite-lived intangible assets and performs a quantitative impairment test by comparing the fair value with the carrying amount.

The Organization used qualitative factors to assess impairment of its unit of accounting. Management determined that it was not more likely than not that the broadcast licenses were impaired, and no further action was taken.

**Impairment Analysis of Other Long-Lived Assets**

Other long-lived assets, such as property and equipment, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. The long-lived assets are evaluated for potential impairment by comparing the carrying amount of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying amount, an impairment loss would be recognized. The Organization concluded its other long-lived assets were not impaired, and no impairment was recorded for the year ended June 30, 2019.

**SOUTHERN CALIFORNIA PUBLIC RADIO**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Assets**

Other assets include barter assets, and interest in charitable gift annuities. Barter assets are initially recorded at fair market value and expensed as goods and services are used or received.

**Allocation of Expenses**

The Organization's costs of providing its various services have been classified on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among operations, administrative and fundraising activities. Most expenses are charged directly to these functional areas where possible. Expenses which are not directly identifiable to a functional area are allocated based on head count that directly related to the expense.

**Income Tax Status**

SCPR is organized under Chapter 317 of Minnesota Statutes as a nonprofit organization. The Internal Revenue Service has determined that SCPR is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation, as it qualifies under section 509(a)(1) as an organization defined under section 170(b)(1)(A)(vi) of the Code. The State of California Franchise Tax Board has determined that SCPR is exempt from California franchise or income taxes under section 2370(1)(d) of the California Code, and the Minnesota Department of Revenue has determined that SCPR is exempt from Minnesota income taxes under Section 290.05 Subdivision 9 of Minnesota Statutes.

SCPR is engaged in certain activities that can result in unrelated business income. For the year ended June 30, 2019, estimated tax expense, included in administrative expenses, was \$11,000. The Organization has adopted certain provisions of ASC Topic 740, *Income Taxes*. The provisions clarify the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. The Organization has reviewed its tax position for all open tax years and has concluded that there are no uncertain tax positions that require recognition

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The Organization has considered subsequent events through October 1, 2019, the date of issuance, in preparing the financial statements and notes.

**Change in Accounting Principle**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, direct cash flow method, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no change to the total previously reported net assets.

Our financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

**NOTE 3 FAIR VALUE MEASUREMENTS**

ASC Topic 825, *Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which it is practicable to estimate that value. ASC Topic 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

ASC Topic 820 establishes a framework for measuring fair value and expands the disclosures about fair value measurements. Input levels as defined by ASC Topic 820 are as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices of identical financial assets and liabilities in active markets accessible at the measurement date. The inputs include those traded on an active exchange, such as the New York Stock Exchange.

*Level 2* – Financial assets and liabilities are valued using inputs such as quoted prices for similar assets and liabilities, or inputs that are observable, either directly or indirectly.

*Level 3* – Financial assets and liabilities are valued using pricing inputs that are unobservable for the assets and liabilities or inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.



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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments are carried at fair value. Fair values of actively traded money market funds are based on quoted market prices. Fair values of inactively traded money market funds and certificates of deposit are based on quoted market prices of identical or similar securities based on observable inputs like bid prices using a market valuation approach. Fair value of the interest in investment pool is equal to the Organization's allocated share of the fair value of securities within the pool. The endowment funds held by others are recorded at the fair value of the underlying assets.

Investments measured at fair value on a recurring basis are as follows as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest in Investment Pool	\$ -	\$ 2,692,000	\$ -	\$ 2,692,000
Endowment Fund Held by Others	-	-	1,307,000	1,307,000
Total	<u>\$ -</u>	<u>\$ 2,692,000</u>	<u>\$ 1,307,000</u>	<u>\$ 3,999,000</u>

Changes in recurring fair value measurements using Level 3 inputs for the year ended June 30, 2019 were as follows:

Beginning Endowment Funds Held by Others at	
Fair Value	\$ 1,244,000
Interest Income	18,000
Change in Value	<u>45,000</u>
Ending Endowment Funds Held by Others Balance, at Fair Value	<u>\$ 1,307,000</u>

**Risks and Uncertainties**

The Organization's financial instruments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain financial instruments, it is reasonably possible that changes in the values of financial instruments will occur in the near term, and such changes could materially affect the amounts reported in the statement of financial position.

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**NOTE 4 RECEIVABLES**

**Receivables**

Program, pledges, and grants receivable include unconditional promises to give. Unconditional promises to give due in the next year are reported at their net realizable value as current assets in the statement of financial position. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value as other long-term assets in the statement of financial position, using discount rates applicable to the years in which the promises are received. Present value discounts, calculated using a two-year treasury bill rate, which were between 1.38% and 2.52%, were \$14,000 at June 30, 2019. Amortization of the discount is reported on the support and earned revenue lines associated with the initial transaction within the statement of activities.

**Receivables (Continued)**

Conditional promises to give are not included as support within the statement of activities until such time as the conditions are substantially met. At June 30, 2019, the Organization had received conditional underwriting support of approximately \$9,069,000 that was not recorded in the financial statements because the conditions had not been met.

**Allowance for Doubtful Accounts**

The Organization estimates an allowance for doubtful accounts based on both a review of outstanding accounts and a consideration of historical experience. Receivables are presented net of an allowance for doubtful accounts of \$233,000 at June 30, 2019, to provide for an estimate of accounts that may become uncollectible.

**Program Receivables**

Program receivables consist primarily of individual gifts and membership, underwriting and earned revenue.

**Pledges Receivable**

Pledges receivable consist of unconditional promises to give to a finite special-purpose fundraising campaign.

**Grants Receivable**

Grants receivable are unconditional promises to give to support the general operating or capital needs of the Organization.

Program, pledges, and grants receivable at June 30, 2019 were due as follows:

In Less than One Year	\$ 3,131,000
In One to Five Years	473,000
Total	<u>\$ 3,604,000</u>

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**NOTE 5 INVESTMENTS**

The Organization's investments include an interest in investment pool managed by APMG on behalf of itself and its affiliates. The investment pool invests in various securities, including U.S. government securities, corporate debt instruments, and cash equivalents. The investment pool is generally classified as a current asset, as the balance is available on demand for use in the Organization's operations. Investments the Organization intends to utilize for long-term projects are classified as other assets in the statement of financial position (also see Note 2).

The composition of amounts reported interest in investment pool at June 30, 2019 was as follows:

Interest in Investment Pool	\$ 2,692,000
Total	<u>\$ 2,692,000</u>

Net investment return for the year ended June 30, 2019 consisted of the following:

Interest and Dividend Income	\$ 62,000
Realized Gains	3,000
Unrealized Gains	16,000
Change in Value of Endowment Funds Held by Others	<u>63,000</u>
Total Net Investment Return	<u>\$ 144,000</u>

The interest and dividend income consists primarily of income from the interest in investment pool. The investment return from the interest in investment pool is the allocated portion due to SCPR based on the average investment balances.

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 consisted of the following:

Cost:	
Land	\$ 6,311,000
Building and Leasehold Improvements	15,825,000
Furniture and Equipment	<u>2,883,000</u>
Total	25,019,000
Less: Accumulated Depreciation and Amortization	<u>(7,064,000)</u>
Net Property and Equipment	<u>\$ 17,955,000</u>

Total depreciation expense and amortization of leasehold improvements was \$766,000 for the year ended June 30, 2019 and was recorded in the Property Fund.

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**NOTE 7 AMOUNTS PAID TO APMG**

APMG established a line of credit of \$1,000,000 for SCPR's general operating needs. This line bears interest at the one-month LIBOR plus 1.2%, which was 3.6% at June 30, 2019. The line of credit was renewed effective June 30, 2019, for \$1,000,000, with an additional \$600,000 also available upon approval of the APMG Finance Committee, through June 30, 2020. There was no outstanding amount at June 30, 2019. The Organization incurred no interest expense during the year ended June 30, 2019.

On July 11, 2014, SCPR and APMG agreed to a \$400,000 promissory note that provided long-term financing of SCPR's purchase of the broadcast license KJAI-FM and related equipment. This note bears interest at 5.5% for the first year. The amount outstanding at June 30, 2019, was \$0. Organization incurred \$5,000 of interest expense during the year ended June 30, 2019.

**NOTE 8 LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2019:

<u>Description</u>	<u>Amount</u>
\$4,479,000 fixed-rate, California Enterprise Development Authority Revenue Refunding Bonds.	\$ 3,049,000
Less: Amounts Due Within One Year	(405,000)
Less: Unamortized Bond Issuance Costs	<u>(56,000)</u>
Long-Term Portion	<u><u>\$ 2,588,000</u></u>

The California Enterprise Development Authority, Sacramento, California (the Authority) issued Revenue Refunding Bonds, (Southern California Public Radio Project)—Series 2014 (Series 2014 Bonds) in the original aggregate principal amount of \$4,479,000. The proceeds of the Series 2014 Bonds were used to refund the outstanding principal amount of the California Infrastructure and Economic Development Bank \$7,000,000 Variable Rate Demand Revenue Bonds, Series 2005 (the Series 2005 Bonds), which provided partial financing for the acquisition, remodeling and equipping of SCPR's facilities located at 474 South Raymond Avenue, Pasadena, California.

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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

The Series 2014 Bonds were issued on December 1, 2014, mature on September 1, 2025, and are structured as unrated and unenhanced bonds purchased by DNT Asset Trust (the Purchaser), a wholly owned subsidiary of JP Morgan Chase Bank N.A., directly from the Authority. On December 1, 2014, SCPR entered into a continuing covenant agreement, in which the Purchaser agreed to purchase the Series 2014 Bonds directly from the Authority through September 1, 2025. The Series 2014 Bonds are secured by a guaranty provided by APMG whereby APMG guarantees the payments when due for the principal and interest. Interest on the Series 2014 Bonds is fixed at 3.12% and is payable semiannually, due on March 1 and September 1, commencing March 1, 2015, and continuing through maturity.

In addition to certain nonfinancial covenants, APMG is required and maintains a ratio of operating cash and investments to indebtedness of no less than 1.2-to-1.0. This ratio is calculated based on consolidated financial information of the APM Group that includes SCPR.

The annual maturities of the long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 405,000
2021	415,000
2022	425,000
2023	435,000
2024	445,000
Thereafter	924,000
Total	<u>\$ 3,049,000</u>

The Organization incurred \$97,000 of interest expense during the year ended June 30, 2019.

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**NOTE 9 LEASES**

The Organization leases studio facilities, transmission facilities, and office space under noncancelable operating lease agreements that expire at varying dates from 2019 to 2027. Total rent expense for all operating leases, including month-to-month leases, was \$293,000 for the year ended June 30, 2019.

Minimum future payments required under noncancelable operating leases as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 232,000
2021	222,000
2022	217,000
2023	210,000
2024	216,000
Thereafter	537,000
Total	<u><u>\$ 1,634,000</u></u>

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

SCPR is involved in various legal proceedings incidental to its business. Although it is difficult to predict the ultimate outcome of these proceedings, management believes that the resolution of such proceedings will not have a material adverse effect on the operations or the financial position of SCPR.

SCPR has commitments related to media content totaling \$352,000 through 2021.

**NOTE 11 RETIREMENT PLAN**

The Organization participates in APMG's 403(b) tax-deferred retirement plan (the Plan), which provides for qualified employees to make contributions to the Plan through payroll deductions. For the year ended June 30, 2019, certain employee contributions were matched 100% by the Organization up to 6.5% of qualified employees' base compensation (matching contributions). The Organization made matching contributions of \$812,000 for the year ended June 30, 2019.

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**NOTE 12 AFFILIATED AND RELATED PARTY ORGANIZATIONS**

SCPR is charged by APMG for its estimated share of various administrative services incurred on its behalf. For the year ended June 30, 2019, these charges totaled \$627,000 and are included in administrative and operations expenses on the statement of activities.

During the year ended June 30, 2019, SCPR was charged \$824,000 for various operational services provided by MPR. These charges are included in operations and fundraising expenses on the statement of activities.

SCPR used programming services from MPR in the amount of \$354,000, which is reflected in operations expenses on the statement of activities. SCPR received a grant of programming services from MPR in the amount of \$166,000 for the year ended June 30, 2019, which is reflected as an intercompany grant on the statement of activities.

**NOTE 13 PUBLIC SERVICE OPERATING AGREEMENTS**

SCPR is party to two public service operating agreements (the operating agreements) with PACCD and UR (the licensees) for the operation of the public radio stations KPCC (89.3 FM) and KUOR (89.1 FM). Under the operating agreements, SCPR agreed to make license payments and to reimburse the licensees for certain actual expenses. The PACCD Agreement is effective through December 2025, and the UR Agreement is effective through April 2027. Payments to the licensees under the terms of the operating agreements are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 300,000
2021	300,000
2022	300,000
2023	300,000
2024	300,000
Thereafter	450,000
Total	<u>\$ 1,950,000</u>

For the year ended June 30, 2019, payment to the licensees was \$300,000 and is included in operations expenses on the statement of activities.

**NOTE 14 RELATED PARTY CONTRIBUTIONS**

During the year ended June 30, 2019, employees and members of the SCPR's Board of Trustees provided contributions of \$858,000 to the Organization.

**SOUTHERN CALIFORNIA PUBLIC RADIO**  
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**SCHEDULE OF OPERATING FUND AND LONG-TERM ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)**  
**(IN THOUSANDS)**

	2019	2018
<b>OPERATING FUND</b>		
<b>SUPPORT FROM PUBLIC</b>		
Individual Gifts and Membership	\$ 15,961	\$ 12,229
Underwriting	10,427	9,562
Business General Support	346	246
Foundations	668	952
Intercompany Grants	166	179
Campaign Support	1,888	1,493
Other Public Support	68	(24)
Total Support from Public	29,524	24,637
<b>SUPPORT FROM GOVERNMENTAL AGENCIES</b>		
Corporation for Public Broadcasting	1,994	1,680
<b>EARNED REVENUE</b>		
Earned Operating Activities	76	187
Other Earned Revenue	104	102
Total Earned Revenue	180	289
Total Support and Earned Revenue	31,698	26,606
<b>EXPENSES</b>		
Operations	20,736	19,290
Administrative	3,703	4,630
Fundraising	7,244	6,890
Total Expenses	31,683	30,810
<b>SUPPORT AND REVENUE IN EXCESS OF (LESS THAN)</b>		
<b>EXPENSES BEFORE LONG-TERM ACTIVITIES</b>	15	(4,204)
<b>LONG-TERM ACTIVITIES</b>		
Designated Fund Net Change	(701)	(360)
Designated Fund Support from Operating	500	400
Property Fund Net Change	(351)	1,291
With Donor Restrictions Net Change	302	669
Total Long-Term Activities	(250)	2,000
<b>CHANGE IN NET ASSETS</b>	(235)	(2,204)
Net Assets - Beginning of Year	26,162	28,366
<b>NET ASSETS - END OF YEAR</b>	\$ 25,927	\$ 26,162



 **SOUTHERN CALIFORNIA PUBLIC RADIO™**

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